SENATE BILL No. 880

Introduced by Senator Ashburn

February 22, 2005

An act relating to public employee retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

SB 880, as introduced, Ashburn. Public employees' retirement: contingency reserves.

Existing law creates retirement systems for state and local public agencies, and both employers and employees make contributions to these systems for the purpose of funding benefits. The Public Employees' Retirement Law provides for the employer contribution rates under the system to be determined annually by the actuary of the Board of Administration.

This bill would state the intent of the Legislature to enact the legislation that creates contingency reserve funds in the Public Employees' Retirement System, the State Teachers' Retirement System, and in local retirement systems, subject to formal adoption, as specified. These contingency funds would be funded in years when an investment gain is realized in the existing retirement funds by employer and employee contributions, as specified, and the moneys in them would be used to supplement employer contributions in years when investment loss is realized. The funds would be used solely for paying liabilities that would be otherwise unfunded.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. It is the intent of the Legislature to enact legislation that does all of the following:

(a) Creates contingency reserve funds in the Public Employees' Retirement System, the State Teachers' Retirement System, and in local retirement systems, subject to adoption by a majority vote of the appropriate governing body or the electorate.

(b) These contingency funds would be funded in years when there is an investment gain in the existing retirement funds. New laws would mandate continued employer and employee contributions at this time and these moneys would be placed in the contingency funds. The combined contribution of an employer and employee at this time would equal a minimum of 5 percent of each employee's gross compensation.

(c) In years when investment loss is realized, funds in contingency reserve would be used to supplement the employer contributions, which do not otherwise meet the funding needs at that time. No contribution would be made to the contingency reserve in these times.

(d) The contingency reserve funds would be used solely for paying liabilities that would be otherwise unfunded, and they would be prohibited from use for leveraging increased benefits or reducing employee contributions.

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